

24 JUN
1963

MEMORANDUM FOR THE RECORD

SUBJECT: Increased Coverage for Psychiatric Treatment

1. On Friday, 21 June 1963, I telephoned Mr. Andrew Ruddock, Chief, Bureau of Retirement and Insurance, Civil Service Commission, to discuss a proposal we have received from Mutual of Omaha to increase the psychiatric care benefits of our health plan.

2. I reminded Mr. Ruddock that we had earlier reported to the Commission that we anticipated no changes in the Association Plan of health insurance for the contract period beginning 1 November 1963 and ending 31 December 1964. I told him that this formal notice to the Commission preceded our renewed interest in exploring the possibilities of obtaining increased psychiatric benefits for our people. I told him that the proposal from Mutual of Omaha would involve an increase in the high option single plan of 5¢ per month and an increase of 10¢ per month for the family plan. These increases would give the insurance underwriter about \$12,000 per year more revenue. I told him that based on our 1962 experience, 0.54% of our persons covered under the high option plans had required psychiatric care, both on an inpatient and outpatient basis and that only about 25 people had required outpatient psychiatric care. The proposal by Mutual of Omaha would increase the benefits for these 25 individuals by removing the 50 visit per year limitation.

3. After reciting these facts to Mr. Ruddock my question was whether the Commission had the facility of advising us on the reasonableness of the proposed increases. I made it clear that I was not questioning the validity of the proposal but simply wondered if on an informal basis the Commission would indicate whether the increases were justifiable. Mr. Ruddock said that the Commission does not have a consulting service of the type I was suggesting. He did point out that the Commission must review any proposed contract changes or itself propose contract changes at the time it is giving its final review of contracts before their execution. Because the Commission must have considerable lead time in reviewing contract changes which were anticipated and formally reported to it he suggested that we would not be able, at this late time, to request a formal change. At the same time

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he remarked that in reviewing the present Mutual of Omaha contract the Commission itself could bring about a change if it felt such action is necessary or desirable. He said the Commission would not look with favor on a rate increase where the health plan is operating at a profit and especially where the accrued profits are greater than the income which would be received from a rate increase. Such is the present financial situation with our plan.

4. We concluded our conversation with my promise to have the proposal considered within the Agency and if we felt a change in the coming contract is essential we will visit informally with him to decide upon a course of action when the Commission examines the present Association Plan.

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Chief, Benefits and Services Division